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File 475:Wall Street Journal Abs 1973-2003/Apr 16
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File 583:Gale Group Globalbase(TM) 1986-2002/Dec 13
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                 ASK OR METAAUCTION OR MULITAUCTION
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S3     3326708   OTHER OR VARIABLE OR VARIED OR DIFFERENT OR ADDITIONAL OR -
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S6      267160   S3(5N)S4
S7         350   S2(10N)S6
S8          23   S5(10N)S7
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S11       2837   S2(S)S10
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S13          0   S1 AND S12
S14         81   S6(S)S12
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S21         13   RD (unique items)
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10957026 SUPPLIER NUMBER: 54189986 (THIS IS THE FULL TEXT)

E-Authentication Closer Than Lenders Think.

Mortgage Marketplace, 22, 12, 1(1)
March 22, 1999
ISSN: 0744-3927 LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 797 LINE COUNT: 00071

TEXT:

Mortgage bankers already have access to technology enabling them to authenticate documents electronically, making the process less expensive and less cumbersome. But what's holding them back from steamlining the often burdensome process is the lack of a unified business model and a lobbying voice to express how the changes would benefit consumers, industry professionals said.

Some innovations in electronic verification have already made mortgage bankers' lives easier--the Goldworks network used by Freddie Mac, for instance. With Internet protocols and applications, plus an automated underwriting system, Goldworks is a closed network that can transmit loans electronically. But if a mortgage bank is not within its 1,400-member network, it can be stuck with a back-end process that is slow. Jack Rodgers, president of the consumer direct group at mortgage.com, prefers the open nature of the Internet as an alternative.

Rodgers said that the Internet can be used to link directly and securely to data sources and confirm personal financial information. It could, for example, verify an applicant's income through electronic direct deposit records.

Earlier this month, Intelligent Systems Inc. joined Hitachi Computer Products (America) Inc.'s program for e-commmerce called TradeLink. TradeLink is the Internet commerce industry's first horizontal solution designed to meet core requirements for the business-to-business and business-to-customer markets. Hitachi will provide its TradeLink customers with a Real-time Address Validation Enterprise System (RAVES)--an instantaneous address verification system. RAVES will give organizations the ability to validate addresses at the e-commerce point of sale. It validates addresses at sub-second speed against a database of more than 360 million addresses that are regularly updated by the United States Postal Service. The integration allows TradeLink customers to improve their competitive advantage by eliminating the high costs associated with shipping to incorrect addresses and improving customer service.

Rodgers said that some industry professionals believe that the mortgage industry should develop its own data standard that it can control itself.

Craig Bechtle, product manager of UniFi Products Group, said the company offers clients a Web-enabling product, Netspeed, that allows lenders to extend their own desktop product over the Internet. End-users, whether they be brokers, correspondents or remote personnel, can then plug into the UniFi Mortgage Product. That application utilizes the consumer information entered, as well as credit bureau data collected to produce the appropriate verification documents. The verification documents can be printed and sent to the consumer in the mail.

There are several futuristic-sounding technological developments that some mortgage industry professionals said should be taken seriously. The mortgage industry is already familiar with digital signatures. For banking purposes, the technology is still largely experimental, Bechtle said.

"The lending community has yet to embrace it," he said.

Chris Larsen, CEO of E-Loan, the Internet-based mortgage broker, said that digital signatures are secured by codes that are fool-proof. Once the information gets to the intended destination, it can be easily viewed in an on-line document. Larsen said that the electronic signatures can be used to legitimize a document. Furthermore, he said, consumers are beginning to trust technology increasingly, and they are waiting for the mortgage industry to make that convenience available to them.

Larsen said whether digital disclosures can be accepted as legal documents depends on regulatory permission, and if the mortgage industry

wants that go-ahead, it needs to come up with a focused lobbying effort. Bechtle pointed out that he believes the technology will be utilized in the future-- it's a question of timing.

But Richard Crone, vice president and general manager of Reston, Va.-based Cybercash, a company that enables Internet payments through credit cards and electronic checks, said mortgage lenders already have all the necessary resources to authenticate consumers' financial documents. Lenders gather all the detailed financial information that, combined with a third party's verification of social security numbers and addresses, would permit them to authenticate a customer's application.

Ideally, a potential borrower fills out the necessary documents and verifies pertinent information all through the lender's Web site, perhaps in one evening.

"The mortgage industry could actually play a leading role in authenticating, registering and validating all of the customers. The customer expects to provide detailed personal information that can be used to validate and authenticate," Crone said. Authentication could be a simple matter of cross-checking social security numbers, addresses, and personal financial information from loan applications against one other, all via the lender's Web site and links to appropriate verification services, he said.

INDUSTRY CODES/NAMES: BANK Banking, Finance and Accounting; BUSN Any type of business; INTL Business, International
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File 9:Business & Industry(R) Jul/1994-2003/Apr 16
(c) 2003 Resp. DB Svcs.

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02424887/9
DIALOG(R)File 9:Business & Industry(R)

02424887 (THIS IS THE FULLTEXT)
Penned Checks Make A Tempting EFT Target
(Some 18 bil personal checks/yr are presented to merchants, at a transaction price that, for supermarkets, averaged $0.44 cents/check in 1997: Electronic check capturing services can save up to $0.20/transaction)
Bank Network News, v 17, n 21, p 1+
March 26, 1999
DOCUMENT TYPE: Newsletter ISSN: 1021-318X (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 1800

ABSTRACT:
Retailers, especially supermarkets, looking for ways to reduce costs for accepting checks have driven a renewed interest in check truncation, or electronically capturing a check at the point of sale. Some 66 bil checks were written at the point of sale in 1998, and 18 bil were personal checks. Check payment volumes grow 3-4%/yr. Supermarkets paid an average of $0.44/check in 1997, less than both offline debit ($0.80/transaction) and credit cards ($1.07/transaction). However, some 6 mil merchants accept checks and only 800,000 of those (or 2 for every 15) use check verification

services. Telecheck, a leading check verification service, processes 1.9 bil checks/yr compared to EFT volume that totalled 1.8 bil transactions in 1998. So, even if checks cost less to process, the volume of checks make them one of the most expensive payment options for merchants. Doug Mills, GM for Supermarket Transaction Services, said supermarkets could save up to $0.20/check with check truncation. The full text contains additional detail, including information on a pilot programs like one by Deluxe called eFund.

TEXT:
While Americans may still have a love affair with writing checks, there are new forces at work in the EFT industry trying to cool that affair.

A renewed interest in electronic check truncation at the point of sale is being driven primarily by supermarket chains looking for ways to cut their costs of handling check payments. Truncating checks at the point of sale for many retailers is the most appealing way to cut payment costs because check handling expenses cost more than almost all other forms of payment. Retailers are beginning to sign up for check truncation programs in much larger numbers than in previous years.

Financial institutions, regional EFT networks and third-party processors seem to have heard this message from cost-conscious retailers and are either planning pilot check truncation programs or have already implemented them.

But they'll have to scramble to catch up to nonbank check verification companies like Houston, Texas-based TeleCheck Services Inc. which already are connected electronically to thousands of merchants for check verification services and are diving head first into electronic check processing. These efforts present a challenge to financial institutions, which have long dominated the business of processing paper checks.

But before either financial institutions or third-party check verification firms can be declared winners in large-scale check truncation, they'll have to contend with the prospect that it will take years to wean consumers from the notion of writing a check.

An estimated 18 billion personal checks out of about 66 billion checks presented in the U.S. in 1998 were written at the point of sale, according to the Federal Reserve, so the potential EFT volume resulting from check truncation is huge. However, until now there has been no indication that consumers are abandoning their check-writing habits in great numbers in favor of debit cards and the technology infrastructure was not in place at merchant locations to offer check truncation in any case. Written checks still represent the second-most commonly used form of payment next to cash. Check payments grow at about 3% to 4% each year, which is far lower than the growth of debit card use at the point of sale. Still, EFT volume at the point of sale, which was about 1.8 billion transactions last year, is far behind check volume. By comparison, TeleCheck, the nation's largest check verification and guarantee company, handles about 1.9 billion check verification transactions annually for merchants, according to a company spokesperson.

Mark McKinney, business development manager for Santa Clara, Calif.-based VeriFone Inc., says VeriFone's sales of check-reading devices, which are offered to merchants as peripheral items to POS terminals, grew by 25% from the first half of 1998 compared to the second half of the year. VeriFone began offering the devices at the beginning of 1998. Such growth in the last half of 1998 shows that retailers in greater numbers are investing in the technology required to process checks electronically at the point of sale.

Of about 6 million merchants that take checks, only about 800,000 use electronic check verification services through check readers, let alone sign up for electronic check truncation services, says McKinney. That number is key to getting retailers to take the next step, which is post the check for payment electronically.

Check truncation at the POS involves a consumer presenting a paper check, which is scanned for a bank routing number, an account number and a check number. The information is electronically checked against a database holding current checking account information and authorization for payment is given if the check is approved. The paper check either is kept by the retailer or is given back to the customer.

The electronic version of the check is posted with the Automated Clearing House for processing and payment to the retailer. Like with other ACH transactions, a signature is required of the individual writing the check, but in most electronic check truncation programs, the signature is obtained on the sales receipt, which serves as an authorization to debit a customer's account.

What Retailers Pay For Payments
Below are total costs by supermarkets for various payment forms in cents

	Checks	Online Debit	Offline Debit	Credit
1994	42.5	29.9	N/A	80.8
1997	44.8	28.9	80	$1.07
%Change	20.4	-3.2	N/A	33

Source: Food Marketing Institute, based on 1998 compilation.

Reading Checks

The growth in the sales of check readers brings large-scale check truncation closer to reality. "It is our feeling that this is going to be a very big market for us," says McKinney. "The check readers are becoming a natural add-on," to VeriFone's credit and debit card terminals, he says.

Check-reading technology has been seeping its way into POS locations for about two years. George Devitt, vice president for global marketing at Phoenix, Ariz.-based Hypercom International, says Hypercom estimates that currently about 1 million of 7.5 million POS terminals in the U.S. have check readers linked to them. Most of the check readers have been deployed in the past two years, although the technology to read key numbers off of a check for authorization purposes has been around for about five years, says Devitt.

Getting retailers to use the terminals to truncate checks is the next step. VeriFone's McKinney says about 12,000 merchants with VeriFone POS terminals are experimenting with electronic check conversion of some type and most of those pilots were started last year or early in 1999.

TeleCheck Services ended a pilot check truncation program begun in early 1998 in five metropolitan areas and began offering the service as a permanent product line in July 1998. A spokesperson for TeleCheck says the company has since signed up 13,000 merchants for electronic check processing services, which includes verification, authorization and check guarantees. Chicago-based Bank One Corp. is the EFT processor for the TeleCheck check transactions.

Merchants connected to TeleCheck's program are required to give checks back to customers after the check is scanned and the information is checked against TeleCheck's own data base that profiles checking accounts for payment authorization. The service is similar to authorizing credit card transactions.

There are two models for processing the check transactions after the data has been captured and the transactions has been verified. In the first model, merchants retain the paper check for documention in case of a returned check. More common, however, is a model that gives consumers back their checks.

Milwaukee-based Deluxe Electronic Payment Systems Inc., meanwhile, is working primarily with banks to expand Deluxe's eFunds check truncation

subsidiary, which Deluxe recently purchased.

Kim Anderson, director of Deluxe's corporate marketing division, says about 30 financial institutions are involved with eFunds pilot programs, generating about 500,000 electronic check transactions each month. "By the end of the year, we expect the top 25 financial institutions to pilot (check truncation) programs," says Anderson.

One bank, Honolulu-based First Hawaiian Bank, is believed to be the first bank to offer check truncation as a permanent product. The bank is using Deluxe's eFunds check authorization database and has signed up about 70 local merchants.

The numbers

Driving any check truncation or conversion programs is the retailers' bottom line. Doug Mills, general manager for Seattle-based Supermarket Transaction Services, says the savings potential for supermarkets to use electronic check truncation services is significant and supermarkets in particular are clamoring for such a service. Transaction Services processes debit transactions for 400 supermarkets in Washington and Oregon.

Mills says supermarkets could save up to 20 cents per check, depending on the processing volume, if the checks were processed electronically rather than have supermarket employees handling the paper checks and the supermarket depositing them in banks, which charge for paper check processing, each day. "I don't think people fully understand the potential for savings," says Mills. He says Transaction Services will offer a check truncation service soon.

A 1998 survey of supermarkets conducted by the Food Marketing Institute showed that the total cost of handling verified paper checks between 1994 and 1997, including processing charges and labor costs, climbed by about 20%, while the cost of processing online debit transactions declined by about 3%.

Per-transaction charges for processing electronic checks range from 10 cents to 20 cents and usually includes a small fraction of the value of the check, according to those companies that have started check truncaiton programs.
First Hawaiian Bank, for example, charges merchants 10 cents a truncated transaction plus 1% of the value of a check. TeleCheck charges 20 cents a transaction, but that protects the merchant from bounced checks. "A merchant will never have to worry about a bad check again," says a company spokesperson. Because TeleCheck is taking all the risk of a bad check, it must charge more for the service, says the spokesperson.

Mills says that type of electronic check service is tempting to supermarkets, which last year got stuck with about $1.5 billion in bad checks, according to the Food Institute survey. "I've got a couple of merchants who keep getting calls from TeleCheck," says Mills.

Financial institutions, slow to offer check truncation to merchants, considering their dominance in the paper check processing business, now are afraid of being left behind. TeleCheck, in particular, is viewed as a threat to what has been until now the domain of banks, says Charles Sherrill, product developer and assistant vice president at Charlotte, N.C.-based First Union Corp. "There is a competitive concern with a third-party processor, TeleCheck, that could take away some of the business of processing checks," says Sherrill. First Union recently announced a check truncation pilot in which it will process checks electronically for a New York-based hair-cutting chain. The pilot will first process checks at 20 stores and grow to include about 200 stores if the test goes well, says Sherrill. "We are looking at it as a product line," says Sherrill. Unlike TeleCheck, First Union will not guarantee a check, but charges only 10 cents a transaction, which is half of what TeleCheck charges.

Some banks, however, have a more difficult time pushing check truncation

because they stand to give up cash on deposit. The so-called float time for a check is cut at least in half from four to two days with check truncation, says Devitt of Hypercom. "The banks are doing this kicking and screaming because they are losing the float," says Devitt. But the shorter float time is the very thing that troubles some consumers, says Mills, and retailers who seek automated debiting from checks are walking a thin line in retaining customers who regularly use checks. The float time is why most people still prefer to write checks. "They do run the risk of alienating their customers," says Mills.

Still it appears there are quite a few merchants willing to take that risk for less expensive payment costs. And there are more and more banks and nonbank processors willing to help them do just that.

SPECIAL FEATURES: Table
INDUSTRY NAMES: Banking; Payment cards; Supermarkets
PRODUCT NAMES: Supermarket - retail (541035); Functions related to depository banking NEC (609900); Credit card and check services (738942)
CONCEPT TERMS: All market information; All product and service information ; Costs; Trends
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)
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File 15:ABI/Inform(R) 1971-2003/Apr 17
(c) 2003 ProQuest Info&Learning
***File 15: Alert feature enhanced for multiple files, duplicate** removal, customized scheduling. See HELP ALERT.

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DIALOG(R)File 15:ABI/Inform(R)

02062775 59718773
Beyond account consolidation: Advanced account management choices for retailers
Dubyak, Beth A
Afp Exchange v20n3 PP: 62-66 Summer 2000 ISSN: 0731-1281 JRNL CODE: JCG
DOC TYPE: Periodical; Feature LANGUAGE: English RECORD TYPE: Fulltext
LENGTH: 5 Pages
WORD COUNT: 2926

ABSTRACT: Today's retailers have many choices beyond account consolidation. Many are turning to serialized deposit tickets, return check presentment and outsourcing to effectively manage their treasury operations. By consolidating accounts and selecting either a single account or shadow account structure, retail financial professionals can significantly enhance their deposit process.

TEXT: Today's retailers have many choices beyond account consolidation. Many are turning to serialized deposit tickets, return check presentment and outsourcing to effectively manage their treasury operations.
Most retail executives are now convinced that the benefits of reducing the

number of local bank accounts they use far outweigh the cost of disruptions at the store level. Once the decision is made to consolidate regional bank accounts, what are the other challenges faced by today's retail professionals in treasury and banking?

Account Structure

First, we need to look at the choices surrounding the structure of group bank accounts. Banks realize that retailers need key information about deposit activity at the local level to feed the now prevalent automated deposit reconcilement software. Critical to this daily reporting are store location numbers linked to each transaction posted to the local account.

For years, this was easily done for deposits through the use of specially encoded deposit tickets. However, unusual postings to the account, such as miscellaneous debits and credits, may or may not carry that specialized store number all the way through the reporting mechanisms.

Banks have developed several options to improve their reporting systems. Some have continued to utilize the "one account with location identifiers" methodology, and have focused their service improvement efforts on internal training to look for, and include, the location identifier. Other banks have chosen to develop a "shadow-account" methodology to ensure that location numbers are linked to every entry.

Shadow accounts are not usually true demand deposit accounts, but rather subaccounts on the bank's system. In most cases, the retailer does not receive a bank statement for each shadow account, but rather receives one master statement for the entire relationship. Each shadow account is linked internally within the bank to a specific location at the retailer.

As entries are posted at the bank, operations personnel process transactions against the shadow account, which is then internally translated to report the entry on the master account, together with a location identifier. This methodology virtually ensures that there is a location number on every transaction, even on bad checks returned without a store endorsement indicating the original store.

Because of the high number of bank mergers in recent years, some banks can now offer both types of account structures and give their clients a choice. Both of these accounts - the single account with location identifiers, and the shadow account - have their own benefits and disadvantages.

Single Account Structures vs. Shadow Accounts

A single account structure is easier to maintain from an administrative perspective than multiple accounts. Only one account number per bank is needed, which means that deposit ticket ordering and other functions are simpler.

With shadow accounts, you must maintain a separate "account number" for each location for deposit tickets, even though tasks such as balance reporting rely on only the common "master account." Maintaining numerous shadow account numbers can be complex if you do not deal with them every day.

However, single account structures can be less accurate than shadow accounts because the bank relies on its operations personnel to make sure that the location number is associated with each transaction posted. The improved accuracy of the shadow accounts results in fewer exception items to research with the bank. This in turn reduces retail treasury operating expenses.

Shadow accounts may be more expensive to maintain at the bank. Some banks charge a premium for the improved accuracy that these accounts provide. This premium could come in the form of a monthly maintenance fee per sub-account, or through daily transfer fees from sub-accounts to the master account. The bank should be able to identify each fee related to the sub-accounts, so that you can develop a true cost-benefit analysis.

Even if banks have chosen the shadow account methodology, not every bank treats the operation in exactly the same fashion. Your treasury management officer should be able to outline the operation of the shadow accounts so that accounting and audit personnel are comfortable with the funds flow.

Information Reporting Accuracy

Once you have established the best account structure available, the next large hurdle to overcome is the actual Bank Administration Institute (BAI) file. Every automated balance reporting system requires the input of a BAI file, and there is a "standard" format for this file. However, the interpretation of this standard can vary from one bank to the next.

For example, a bank can have three optional fields for placing the store number: the bank reference, customer reference or detail. Each BAI file field must be mapped properly so that it can be interpreted correctly by the software.
The BAI Codes Guidebook that defines individual transactions lists numerous "standard" codes. However, banks can use the codes differently to define similar transactions. For example, three codes mean "deposit," and three different banks could use two or more of these codes to distinguish "branch deposits" from "vault deposits." Each code must be interpreted correctly in order for the automated software to distinguish proper transactions for matching and for extracting to the general ledger. Since one bank could use the number "72" to mean "deposit" and a second bank could use the same code to mean "deposit adjustment credit," each BAI code must be properly defined before you use the file for automatic matching.

Many banks still have been unable to further define transactions on the BAI file beyond the "miscellaneous" debit or credit realm. Because these codes, 399 and 699, are used when no other clearly definable code is available, each of these transactions must be manually posted.

You can work with your bank to try to get it to increase the number of specific codes to reduce the number of miscellaneous entries. But frequently, improvements to the BAI files are not priorities within a bank's IT department.

Still, many retailers do pressure their banks to add more supplemental information to the BAI file. For example, some banks are exploring the addition of bad check information such as maker or drawer information and return reason codes on the daily file. Another idea is to attach deposit bag numbers or unique deposit ticket numbers to adjustments and corrections. This will allow retailers to trace specific adjustments to individual deposits, which will associate the transaction to a specific store.

Automated reconcilement systems have freed retailers from the task of processing some of the paper items they were required to handle in the past. In particular, automation has eliminated the need for validated deposit slips.

In the days before daily verification was implemented, the only way to ensure that the deposit actually made it to the bank was for the store personnel to collect and send "validated" slips to the home office sales audit department. Many retailers believed this ensured credit at the bank when in reality the validated slip only meant that the slip was received at the bank.

Actually, the validation slip states nothing about the contents of the deposit. Store personnel spend hours tracking down validated slips for deposits that were made days and even weeks ago to satisfy the home office staff.

With daily deposit confirmation from the bank, the copy of the deposit slip becomes less important. It still can provide evidence for the store that someone walked into the bank, but it is no longer a meaningful audit tool.

The validated deposit slip becomes an acknowledgement of receipt rather than a verification of the deposit amount. The bank balance reporting indicates what really happened at the bank, often before the store receives the validated slips back. This is especially relevant in today's world of post verification, when the bank counts the deposit at some point after the end of the deposit day Adjustments are made after the bank has the opportunity to count the deposit on its own schedule. Some banks offer incentives for retailers who are comfortable with post verification.

Serialized Deposit Tickets

Retailers are often searching for ways to improve the performance of their automated reconcilement systems. We have already addressed the issue of banks improving the BAI file to specifically identify more transactions. Another way to link adjustments to specific deposits is to use serialized deposit tickets. This works well under the "shadow accounts" methodology, in which the auxiliary on-us field is blank. It can also work on the single account structure through the use of fixed-length fields.

This is how it works. The store uses its own deposit tickets for its individual location. Each deposit ticket is sequentially numbered and encoded in the auxiliary onus field of the deposit ticket. For shadow accounts, the entire field is available. For single accounts, for example, the first four spaces can indicate the store number, and the last six spaces could be the sequentially increasing number.

As a deposit is made, the bank credits the entire deposit amount to the store. If a subsequent shortage is found, the bank processes a debit against the account, and captures the unique serial number from the on-us field on the deposit ticket.

The serial number is then provided on the BAI file associated with the adjustment entry, which is then easily mapped back to the original deposit. This process can dramatically improve the data reporting that you derive from your reconcilement system.
However, this process requires that the bank be able to capture this information accurately and reliably, and modify the BAI file to accommodate it. This takes us back to the "human factor" issue of capturing the supplemental information on every transaction. However, it can reduce, if not eliminate, the number of research inquiries on the miscellaneous transactions that are posted to the depository account.

Today's retailer should also look to its own point-ofsale (POS) system to identify ways to improve the information flow. For example, store closeout procedures can be modified to include an employee number on the daily POS file transmission as supplemental information. This will alert the headquarters' staff to not only which store, but which associate within the store, was responsible for a problem transaction. This information, when disseminated daily on a missing deposit report, could assist Loss Prevention or Store Operations in targeting the specific associate responsible for the problem.

Good Checks, Bad Checks, No Checks

With today's advanced technology and nearly real-time data exchange, one might wonder why a bad check problem still exists for many retailers. There are a number of products and services on the market, which can help the retailer identify a bad-risk check before it is even accepted at the point-of-sale.

These products include check verification, authorization, and guarantee services through third parties or via internally maintained negative databases. Once a customer passes one bad check, his or her name is placed on a "do not accept" list until the bad debt is repaid.

Banks and other check handlers can transmit detailed information about the bad checks to the retailer for maintenance of internal databases. This

information can be placed into collection systems for more prompt issuance of initial dunning letters and similar notices to customers.

Checks can now be converted at the point-of-sale into one-time, pre-authorized automated clearing house (ACH) transactions. Known as "check truncation" or "check conversion," this process eliminates the paper from the collection system and can speed up the collection of payments. Additionally, many banks post electronic transactions before paper transactions; so a converted check may be paid before a paper check hits a customer's account.

Finally, today's technology has afforded retailers the opportunity to verify "good" funds immediately at the point-of-sale. Through the use of online debit cards, today's retailer can look into the customer's bank account immediately to verify "good" funds. If a customer wants to write a check, then he must have a bank account. If the customer has a bank account, he probably has a debit card. This form of payment should be encouraged, and good customers should not object to the use of a debit card

It is widely agreed that the checkless society, at least for today's retailer, is still years away. And with check acceptance comes the inevitable bad check and the collection process. The concept of centralized returns is one of the latest techniques that can help retailers more efficiently manage returns and collections.

With this process, the retailer designates one bank as its primary bad-check processing bank. Regardless of the bank of first deposit, the retailer endorses each check with the name and address of its centralized return bank. This endorsement requests that if this check is to be returned, it should be sent back through the clearing cycle to the centralized bank rather than to the bank of first deposit, as had been customary. The purpose of this process is to expedite the checks back to the central bank and to the retailer. As every collection agency knows, the faster you can get information about a bad check, the better your chances are for completely recovering that check.

Centralizing also allows the retailer to ensure that bad-check procedures are standardized across its chain of locations. If the retailer wants to redeposit first-time non-sufficient funds (NSF) checks, then one call to the central bank ensures that all returns received centrally are re-deposited. Changing procedures becomes much easier. The central return bank can also automate and capture additional information from each bad check, thereby allowing the retailer to integrate the bad-check information into its automated reconcilement process for further control.

The centralized return process relies heavily on one particular factor. The common endorsement indicating the central return bank must be present on each check. It must be legible and legal within specific endorsement criteria. And the bank "bouncing" the item must understand and abide by the instructions on the back of the check. This sounds simple, and it can be. It is inevitable that some bad checks might slip back to the bank of first deposit, either because personnel at the location forgot to include the proper endorsement, or the rejecting bank neglected or refused to follow alternate instructions.

Finally, centralized returns can be less expensive to the retail executive who can negotiate a set price for all returns across the store's network. However, the depository banks may not enjoy losing the sometimes highly profitable return item processing business to the central bank. As a result, some retailers may find that some depository banks are less willing to negotiate fees on other depository services if the bad-check activity is directed elsewhere.

Return Check Presentment

Another way for retailers to improve their bad-check collection efforts is to examine a process called return check presentment or RCK. With this process, bad checks are converted from paper to ACH debits after their

return to the depository or centralized return bank. With this method, the presentment of the ACH debit can be timed to better correspond to the time when funds might be available in the account. For example, the ACH debit can be timed to be presented on a payday that falls on a Friday or on the first of the month, when the account most likely will have funds.

Additionally, as noted earlier, many banks post electronic drafts before they post any paper debits to an account. Because of this, an ACH debit may be paid before a check presented on the same posting day, increasing the chances that your debt will be satisfied.
In the worst cases, RCK can allow the retailer one additional chance at collection, depending upon how it is used. For example, a retailer can opt for two check presentments of NSF items. Upon second return, the item could be turned into an ACH debit and presented for a third time against the payer's account. Again, RCK can improve the retailer's collection statistics.

However, there are some problems with RCK, which may or may not come into play Some banks use different transit routing numbers for checks from ACH transactions. If you rely solely on the transit routing number on the bottom of the check, you may or may not have the proper information for submitting the ACH item. This could cause delays in the processing cycle.

Additionally, the retailer can choose to outsource all or parts of the RCK process, depending upon its preferences. If the check conversion is done internally, then the retailer must develop a method to automatically capture and convert the MICR information for the ACH file submission to its bank. Included here would be methodologies and policies related to timing of the settlement. If outsourced, data needs to be communicated to the third party, who should be able to handle all operational problems.

Easing the Burden
By consolidating accounts and selecting either a single account or shadow account structure, retail financial professionals can significantly enhance their deposit process. Retailers can also benefit by taking advantage of accurate, detailed deposit reporting available from banks, which will not only reduce posting errors, but also improve the security of internal operations.

Techniques exist today to solve the mystery of many miscellaneous adjustments by relating them back to their initial deposit. Other services such as check guarantee services and the conversion of checks into ACH transactions at the point-of-sale can help curtail the acceptance of bad checks. Additionally, the use of a centralized return item bank may also help retailers minimize losses as a result of bad checks.

These services, combined with the opportunity to outsource more work, can significantly ease the burdens on the entire retailer treasury staff.

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19705143 (THIS IS THE FULLTEXT)
Making cheques more efficient
ELECTRONIC PAYMENTS INTERNATIONAL
October 31, 2001
JOURNAL CODE: WEPI LANGUAGE: English RECORD TYPE: FULLTEXT
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The use of cheques is falling worldwide as banks and customers turn to cheaper, more efficient electronic payment instruments. But cheques remain the payment method of choice in many major markets. Anthony O'Brien and Charles Davis look at developments worldwide to make cheque payments more efficient, starting with the largest cheque market, the US The United States THE EFFECTS of the September 11 terrorist attack have made electronic bankers in the US even more serious about making cheque payments electronic. One thing is clear: paper cheques, clumsy to move and heavily dependent upon air service, now have logistical weaknesses apparent to all.

When the Federal Aviation Administration closed commercial air traffic in the days following the attacks, out-of-town cheques sat in mailbags in airports all across the country, a scenario that increased the operational and fraud risk associated with cheques.

Clearing houses all over the country watched nervously as cheques that normally poured in by the millions trickled in by the tens of thousands.

"We effectively shut down our electronic cheque presentment (ECP) system for about 10 days," said Hank Farrar, chief operating officer of the New York Clearing House's SVPCo, a bank-owned, private-sector payment system. "The banks simply couldn't move the physical paper, and so we stopped moving ECP files too. Even as we speak, some banks in the Northeast are physically exchanging cheques at a backup site at 2 am." For SVPCo, whose stated mission is to advance ECP by creating the first standardised nationwide multilateral electronic exchange of cheques, the impetus for e-cheques is now stronger than ever. Farrar said member banks are talking about what can be done to speed the process of migration to ECP, and ultimately, to image interchange, in which members swap computerised images of cheques and paper cheques never enter the payments stream.

"Are the events of September 11 driving this? To some extent they are, but we are only accelerating what was already happening," Farrar said. "It brings home the reality that paper cheques are a less than ideal way to do business, which is something banks already knew, but maybe never really thought of that seriously before." The Western Payments Alliance (WesPay), one of the nation's largest regional payments organisations, found itself facing tremendous logistical hurdles in clearing cheques in the days following the attacks. Based in San Francisco, WesPay faces logistical hurdles even in the best of times: it is three time zones removed from East Coast banks, and can only clear cheques drawn on out-of-state banks by air.

"For years, we have leased jets to process cheques from the East Coast for our members who subscribe to the service," said Gerard F. Milano, president and chief executive of WesPay. "We would typically move $2 billion or so in cheques east each night, so they could clear the next day.

Renting a jet was the cheapest way we could do it, and when you are talking about tying up billions, it's a bargain." When flights were grounded, all of WesPay's traditional cheque transport options - private air cheque couriers, ground couriers utilising commercial jets' cargo compartments and partnerships between correspondent banks and cargo carriers - were disrupted.

For WesPay, which processes more than 5 million cheques daily totalling $7 billion for financial institutions in the western US and three Pacific islands, the disruptions were unprecedented, according to Milano. Cheques piled up at local banks, creating a "logjam" once aeroplanes began flying again.

"The struggle became dealing with that backlog that had accumulated over several days and then to deal with the normal flows as they came back on stream," he said.

* About 3 million of the 5 million items WesPay exchanges daily are exchanged within California; the other 2 million are transported out-of-state. The disruption in air service boosted those numbers considerably, he said.

"We had over 2 million Tuesday night (September 11) and Wednesday night, plus all of the items that would normally clear commercially," he said. "On Thursday, we probably sent 6 million items on our backup flights just to clear the logjam. Later that night, we sent out our normal national service and it required an extra aeroplane in southern California just to handle the load." By contrast, the automated clearing houses were running as normal. "While the ACHs around the country survived, everyone saw the physical cheque process stop," said Bill Nelson, executive vice president of the National Automated Clearing House Association (NACHA). "It is going to put a lot of emphasis on anything that is completely electronic out there, be it direct deposit, EFT or e-cheques." Suddenly initiatives that promote a way to bypass paper by converting the cheque into an ACH debit have never looked better to many electronic bankers. Ironically, in the wake of the terrorist attacks, NACHA instituted new rules on September 14, designed to make it easier for consumers to make e-cheque payments by telephone. The new rules allow merchants, billers and government agencies to offer e-cheques by telephone as a payment option.

Under the new rules, a consumer can verbally authorise an e-cheque payment by telephone. The authorisation is either tape-recorded or a written confirmation notice is sent to the consumer. E-cheques by telephone are covered by the Federal Reserve's Regulation E, which defines specific consumer protections from error and fraud. Since July 1999, NACHA has been conducting a pilot programme to test e-cheques by telephone. From its inception through July 2001, the latest month for which statistics are available, the pilot has originated more than 10.5 million e-cheques.

"The new Fed rules on telephone sales were coming along anyway," Farrar said, "but now people are really interested in moving forward on these things, and quickly." Long before the attacks, the Federal Reserve was sounding bullish about e-cheques. In a speech given at the Federal Reserve Bank of Philadelphia in early September, Fed vice chairman Roger Ferguson addressed initiatives to convert cheques at the point of sale.

"In a sense, these programs turn a cheque into a disposable debit card," Ferguson said. "This analogy raises the question of what we can learn from the use of cheques to initiate electronic payments and whether these programs are simply a transition stage to a more extensive electronic payment system. I believe these programs continue to deserve monitoring as we go forward." Ferguson said the Fed's studies have been sensitive to assumptions about technology, transition costs, implementation timing and other variables. How banks and the public accept truncation and the associated electronic presentment of cheques significantly affects the banking industry's ability to achieve economies of scale and establish industry-wide standards, Ferguson said.

"Historically, sensitivity to these key assumptions has injected uncertainty into the business case for cheque truncation and electronic collection," Ferguson said. "As a result, the banking industry has faced difficult decisions about whether to invest in the truncation of cheques or to invest in fully electronic payment technologies, such as the ACH or card networks, while encouraging their customers to initiate electronic payments from the beginning of a payment process." TeleCheck Services, a subsidiary of the ubiquitous First Data, has signed up Wal-Mart Stores, the giant US

retailer, to test a TeleCheck system that converts paper cheques to e-cheques at the point of sale in major Texas cities and in nine other states. TeleCheck introduced its version of electronic cheque acceptance in early 1998.

Wal-Mart is not the first retailer to use electronic cheque conversion, but it is by far the biggest and most influential. About 45,000 stores use the TeleCheck's e-cheque service nationwide, including The Bombay Company of Fort Worth, the EZ Mart convenience store chain and toy retailer Zany Brainy.

Last year, TeleCheck authorised more than $163 billion in cheques, representing 3.2 billion transactions at 272,000 stores.

At SVPCo, three more banks announced recently that they will use Electronic Check Services (ECS), the company's e-cheque solution. Central Carolina Bank of North Carolina, First Tennessee National Corp. of Memphis, Tennessee and Sterling Bancorp of New York adopted e- cheques, joining 60 other banks using the SVPCo product.

SVPCo runs a standardised, national Electronic Check Presentment (ECP) network of regional cheque clearing and settlement centres. ECS is one of several services the network offers. It converts paper cheques to electronic data and cheque images that can be presented for collection and settlement, electronically, throughout the business day.

"The benefits from the electronic cheque exchange are obvious," said Louis J. Cappelli, chairman and chief executive officer of $1.3 billion-asset Sterling Bancorp. "The system is safer, faster, and more efficient than the paper cheque collection and settlement system we were using. We also liked the standardised agreements and the single rule set provided by ECS, along with the standard pricing and formats," Cappelli said.

The card associations also are getting involved, but with a slight wrinkle. In June, Visa USA announced plans to pilot a new member- branded POS Check Service for its member institutions and their merchant customers. The POS Check Service is a new cheque acceptance system that provides direct online access to consumer demand deposit accounts for authorisation, similar to credit and debit card transactions. Other existing cheque acceptance systems typically rely on a variety of historical databases or negative files to electronically process cheque transactions.

The POS Check Service is powered by VisaNet, the largest transaction processing system in the world, which currently processes transactions for more than 5 million merchants and reaches 90 percent of the country's demand deposit accounts.

Visa's research shows that personal paper cheques accounted for about 51.3 percent of all personal consumption expenditure in 2000, down from 57.6 percent in 1994. In 1999 alone, US consumers wrote some estimated 19 billion cheques at the point of sale.

In that same year, merchants incurred an estimated $23 billion in cheque handling and fraud costs and losses - averaging more than $1 for every cheque written at the point of sale.

Several Visa Member financial institutions have signed on to pilot the service, including US Bank and First Bank of Omaha Merchant Processing. With the Visa service, cheques written at merchant locations are scanned through a cheque reader at the point of sale that captures the account, cheque and bank routing numbers along with the amount of the purchase.

This information is then routed either to participating members or third parties for authorisation of the cheque amount.

Once authorisation is obtained, the customer is required to sign a separate sales receipt authorising the conversion of the cheque transaction to an electronic transaction. The merchant then voids the paper cheque and returns it to the customer along with his or her signed sales receipt.

The service provides merchants with options for verifying and guaranteeing cheques. Under the verification option, the cheque is accepted or declined once the cheque writer's bank or a third party authorising agent verifies the probability that the cheque will be paid based on information from the cheque writer's demand deposit account or a third party risk management database. The verification option reduces the risk of loss to the merchant. Under the guarantee option, a POS Check Service guarantor purchases the transaction from the merchant at a discount, eliminating the risk of loss to the merchant. The guarantor accepts or declines the cheque based on information from the demand deposit account or a third party risk management database.

"Using electronic cheque conversion to route transactions to the consumer's bank for settlement is the ultimate cheque acceptance process for businesses," said Wiley Tillett, president of T-Tech, Inc, a cheque processor. "The Visa model will verify account status and funds availability in a real time processing environment. There is no database more accurate than that of the consumer's bank." Whatever the model, WesPay's Milano predicts that e-cheques soon will become the norm, as the rate of innovation accelerates in the wake of the terrorist attacks.

"Even two months ago, a lot of this seemed far-fetched, like maybe in three or four years," he said. "Now there is a much greater sense of urgency." European Union THE CHANGEOVER to the euro is expected to mark a significant shift in European banking strategies regarding cheques, as banks urge customers to use more efficient payment instruments.

The Eurosystem - comprising the European Central Bank (ECB) and each of the national central banks of the member states that have adopted the euro as their currency -- and the ECB are charged with promoting the smooth operation of payments system.

Speaking at a recent conference organised by the European Commission, Tommaso Padoa-Schioppa of the executive board of the ECB, said that "national central banks consider that the domestic use of cheques should be discouraged, and cross-border use should not be facilitated." Padoa-Schioppa pointed out that cheques are not widely used in the euro area, except in Ireland and France. Cheques accounted for more than one-quarter of cashless payments in France, Ireland, Italy and Portugal in 1999. Cheques are also popular in the UK, but it is outside the euro area. The number of cheque payments is falling in most countries, however.

The central banks have turned against the cheque because of its inefficiency and high costs. "The main reason for the inefficiency and cost of the cheques are their legal, technical and operational design features," said an ECB spokesperson.

"National cheque laws usually require that the cheque be physically presented for collection. This is a heavy obstacle with respect to efficient processing since it does, in principle, not allow for an electronic processing. Banks in some countries have accepted the legal risk not to present cheques physically in order to process small-value cheques more efficiently. In Germany, for example, cheques can only be truncated up to a certain threshold.

"This inherent efficiency disadvantage has led banks to generally discourage the use of cheques leading to a reduction of the use of this payment instrument relative to others. Banks have also cancelled the guarantee function of the 'eurocheque' by the end of this year in order to discourage the cross-border use of cheques." He pointed out that because there is no cross-border infrastructure for cheque clearing, "banks usually impose heavy charges to the collection of cross-border cheque, if they are accepted at all by the payee." Banks in some countries will try to make cheque clearing more efficient but they will still look to more efficient payment alternatives. Migrating to more efficient payment instruments is not a simple or quick solution however.

The ECB spokesperson agreed that no efficient alternative to cash had been developed for cross-border, person-to-person payments but also noted that "the banks have yet to come up with an efficient alternative for domestic person-to-person payments." See page 12 for French developments.

Australia THE AUSTRALIAN Payment Clearing Association (APCA) and its cheque clearing members implemented electronic presentment and dishonour (EP&D) of cheques in April 1999.

"This has achieved its principal objective of shortening clearing times. For the most part, cheques deposited and presented on day one are now either dishonoured or paid by the drawee bank at the end of day two," said Peter Smith, the chief executive officer of APCA, speaking at the Canadian Payments Association Conference in May 2001.

"EP&D has also brought efficiencies for banks. Cheques need to be captured now only by the collecting bank rather than the process being divided between the collecting and paying banks, with, in the past, a resulting, and often time-consuming, need for the two banks to reconcile the numbers." Two outstanding issues remain however. Truncation has not been achieved, which means that cheques must be physically transported to and stored by paying banks and a high proportion of cheques (between 4.5 and 4.7 percent) fail the electronic presentment (EP) process, mainly

because the MICR line is invalid or incomplete, and must be exchange "for value".

Imaging is seen as the solution to these problems. The APCA tested a model for exchanging images, under which paper items would have been truncated at the point of capture and invalid/incomplete items sent by EP with an accompanying image file. Collecting banks would have also been required to provide the paying bank with an image of any cheque on request on day two.

"After a lot of investigation, this model has been rejected as being too costly to implement," said Smith. "We are now looking at an imaging model based on access to images rather than image exchange. In this model, collecting banks would hold images at the point of capture, with paying banks accessing images of their own cheques on a needs basis, probably via some new secure communications network." Smith emphasised that the banks must continue to reduce the rejection of items in EP. "No one has the appetite to view the images of around 90,000 such items per day," he said. "And that is what it would mean with the current rate at which items fail the EP process." The APCA also aims to extend EP&D to credit paper items.

Singapore and South Korea THE ASSOCIATION of Banks in Singapore (ABS) announced in early September that all bank customers in Singapore will soon get to use newly designed cheques, which will set the stage for the banking industry to implement a Cheque Truncation System (CTS).

Bank customers will receive their new cheques by 31 December, 2001 at the latest. Individual and corporate cheques will be standardised, to allow for easier storage and handling and to facilitate adoption of advanced technology for further automation of the cheque verification process. As a security feature, cheques will also bear the CTS watermark. Old cheques will not be accepted for clearance after 30 June 2002. All banks will convert to the new system on a single day in September 2002.

The CTS is an online image-based cheque clearing system, which replaces the physical cheque flow with electronic information throughout the entire clearing cycle. The cheque will be scanned when deposited and its electronic image, instead of the physical cheque, will be transmitted throughout the entire clearing cycle.

When implemented, the CTS will enhance the operational workflow of banks by eliminating the need to move cheques physically from one bank to another, resulting in greater efficiency in the local banking industry.

A National Image Archive will facilitate the storage and retrieval of cheque images and also eliminate the need for banks to store physical cheques.

CTS will also be capable of clearing multi-currency cross-border payments and initially, it will be used for clearing local US dollar cheques as well as Singapore dollar cheques.

Cheques have traditionally been the preferred payment instrument in Singapore although their use has begun to decline in recent years.

South Korea reported a further drop in the number and value of cheque payments in the first half of 2001. Cashier's cheques, especially 100,000 won-denominated cheques, are the most popular and these continued to grow in popularity.

Cheque clearing is carried out on a regional basis in Korea. The Korea Financial Telecommunications and Clearing Institute (KFTC) operates 51 regional clearing houses.

A cheque truncation system for cashier's cheques began in the Seoul area in May 2000. The use of the truncation system for giro payments was extended nationwide in July 2000 for Korea Electric Power Corporation (for electricity bills), National Health Insurance Corporation (insurance premiums), National Pension Corporation (pension contributions) and Korea Telecom (phone charges).

Brazil THE BRAZILIAN system for clearing cheques and other paper-based payment items, the Sistema de Compensacao de Cheques e Outros Papeis (SCCOP), informally called Compe, is regulated by the central bank, Banco Central do Brasil (BCB) and managed by the state-owned Banco do Brasil.

Compe is connected to 15 regional clearing systems (Sistema Integrado Regional de Compensacao or SIRC) and a nationwide system that clears all interregional cheques.

Cheques are settled in between one and four days. Cheques processed within the same SIRC take one or two days depending on the value and cheques involving more than one SIRC and processed by the Sao Paulo SIRC

take three or four days.

Some 18 percent of cheques, those with amounts greater than BrR299.99 ($110.19), are processed in one business day. These cheques account for 90.6 percent of the value of cheques cleared.

DOCs (electronically cleared credit transfers), and Bloqueto de Cobranca (bill payments giros) are also cleared through Compe.

Almost all documents taking part in Compe are processed and cleared electronically, although with cheques a manual change occurs simultaneously * Only 0.5 percent of Compe documents were manually processed in September 2001, according to the BCB. These were those which were damaged and could not be read electronically.

According to a BCB spokesperson, the bank plans to have regulated cheque truncation by April 2002 "to permit institutions to establish bilateral and multilateral agreements." This will come within the scope of the restructuring of the Brazilian Payment System, which is to be launched on April 22, 2002. The BCB aims to reduce the turnover on Compe from BrR17.3 billion - and 13.3 million documents - per day in the period February to September 2001 to BrR5 billion per day by the end of 2002.

To this end, it will develop a large value transfer system with real time gross settlement (RTGS) and a deferred netting settlement (DNS) model clearing house for funds transfers.

It will also seek to migrate cheques and DOCs with amounts equal to or greater than BrR5,000 from Compe. Some 1.3 percent of cheques and 14.8 percent of DOCs fitted into this category in September 2001. Between August 2002 and January 2003 banks will have to start migrating such payments from Compe.

In the case of an institution that fails to comply with the defined migration goals, a cash pre-fund deposited on BCB will be demanded as condition to the institution to participation in Compe. This pre-fund will be the difference of amount between the migration stipulated and the migration achieved.

A BCB spokesperson said that it believed "that the system will promote the reduction of costs in a very significant way mainly on back-office activities in consequence of the straight through process." The spokesperson also said that "in a second stage of the process of restructuring the new Brazilian Payments System, we plan to take more effective actions in order to encourage banks to develop instruments more efficient than cheques besides spreading the use of those already existing like direct debits and debit card, specially for retail payments.

"We believe that a reduction on the number of cheque payments is a natural consequence of the creation and acceptability of the new payment instruments."

COMPANY NAMES: Federal Aviation Administration USA
DESCRIPTORS: Regulation of Business; Company News; National Security; Government News; Terrorism; General News
COUNTRY NAMES/CODES: United States of America (US)
REGIONS: Americas; North America; Pacific Rim
SIC CODES/DESCRIPTIONS: 9621 (Regulation Administration of Transportation) ; 4512 (Air Transportation Scheduled); 9711 (National Security); 6020 (Commercial Banks)
NAICS CODES/DESCRIPTIONS: 92612 (Regulation & Admin of Transportation Programs); 481111 (Scheduled Passenger Air Transportation); 92811 (National Security); 52211 (Commercial Banking)
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Status: Signed Off. (14 minutes)

Status: Path 1 of [Dialog Information Services via Modem]

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DIALOG INFORMATION SERVICES

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ENTER PASSWORD:
 ******** HHHHHHHH SSSSSSSS? ********
Welcome to DIALOG
### Status: Connected


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*File 351: Alerts can now have images sent via all delivery methods.
See HELP ALERT and HELP PRINT for more info.

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Patent Assignee: HITACHI JOHO SYSTEMS KK (HITA-N)
Number of Countries: 001  Number of Patents: 001
Patent Family:
Patent No     Kind   Date    Applicat No    Kind   Date     Week
JP 2002099777  A   20020405  JP 2000289124   A   20000922  200258  B

Priority Applications (No Type Date): JP 2000289124 A 20000922
Patent Details:
Patent No  Kind Lan Pg   Main IPC    Filing Notes
JP 2002099777 A      8 G06F-017/60

Abstract (Basic): JP 2002099777 A
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